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Systemic Problems

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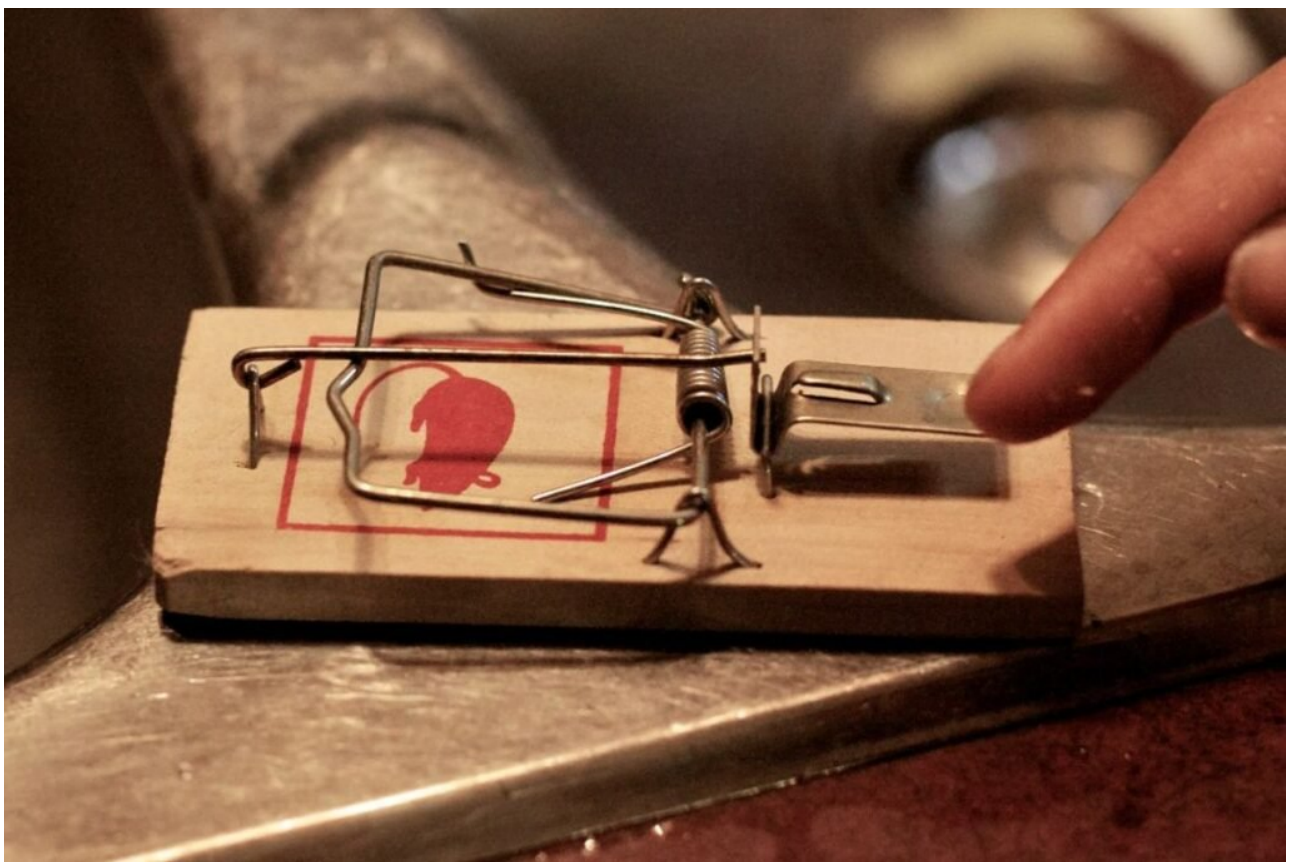

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How do we build a more just society? It's a question that articles in *NPQ* and various other nonprofit sector publications raise, often looking toward the role that philanthropy can play in building more just systems. Sometimes this is true. But what if philanthropy itself is at times reinforcing social problems?

In 1979, total US foundation assets were $34.7 billion (adjusted for inflation, about $150 billion). Today, total foundations assets are nearly $1.6 trillion—a tenfold increase. Yet inequality has worsened in the intervening 40-some years.

Back in 2018, *NPQ e*ditor Steve Dubb noted the dangers of overreliance on philanthropy and nonprofits to address social problems, observing that "our present safety-net infrastructure is being kept together with the institutional equivalent of duct tape."

Academic analysis confirms this. In 2007 John Dominic Crossan wrote in *God and Empire: Jesus Against Rome, Then and Now* about the harm that has resulted when religious advocacy of social justice is replaced by the notion of individual charity.

A more recent book, *Individual Rights over Economic Equality*, by John F.M. McDermott, published posthumously in 2024, reveals how "philanthropic solutions" to systemic problems often legitimize the very systems that create those problems in the first place.

The challenge isn't opposing charity itself but developing a more sophisticated understanding to recognize when charitable responses inadvertently strengthen structural inequality.

The Dangers of Privatized Social Goods

The relationship between government funding cuts and increased reliance on private philanthropy exemplifies what McDermott called the corporate-liberal matrix—a system that channels dissent into forms serving corporate interests while appearing to address social concerns (16–34). When Benjamin Soskis, senior research associate at the Urban Institute, asks whether philanthropic gap-filling creates "a kind of license for a new division between public and private responsibility," he identifies precisely this dynamic.

Foundations risk "legitimizing the privatization of public goods" when they step in to fill gaps created by government retrenchment.

According to McDermott, this division serves corporate power in multiple ways. First, reduced government social spending enables corporate tax cuts and tax deductions for charitable giving for wealthy individuals—a double reduction in government and corporate contributions to social needs. Second, nonprofit dependence on private donors gives wealthy interests direct control over social services that should be democratically governed public goods. Third, different nonprofits compete against each other for limited philanthropic resources rather than building unified pressure for adequate public funding (86–102).

Most importantly, this system normalizes the idea that social needs should depend on the generosity of the wealthy rather than collective democratic decision-making. As Carmen Rojas, president and CEO of the Marguerite Casey Foundation, recognizes, foundations risk "legitimizing the privatization of public goods" when they step in to fill gaps created by government retrenchment.

This creates a classic trap: sincere humanitarian concerns become unwitting agents of structural arrangements that ultimately serve interests opposed to genuine social welfare.

Historical Parallels

In *God and Empire*, Crossan analyzed similarities between the Roman pattern of incorporating Christian language and symbols for imperial interests, with how today, the "philanthropic solution" incorporates genuine concern for social needs, while advancing corporate interests in reduced taxation and privatized control (190–210).

Crossan notes how "the radicality of God is constantly being changed back into the normalcy of civilization, not by evil people but by normal people, people like us" directly implicating contemporary philanthropy.

Well-intentioned foundation officials, charity administrators, and individual donors find themselves supporting a system that transforms social justice into individual charity, while believing they're addressing social problems.

The Rights Trap in Philanthropic Form

McDermott helps explain why philanthropic approaches prove inadequate for addressing systemic problems. It begins with a focus on individual rights rather than on meeting community needs.

In this manner, healthcare becomes something wealthy donors can choose to fund rather than a social right; education depends on philanthropic priorities rather than democratic decision-making; social services reflect donor preferences rather than community needs.

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This individualization of social goods, according to McDermott, prevents the collective organizing that is needed to challenge the structural arrangements that create social problems in the first place. Instead of demanding universal healthcare as a democratic right, different health charities compete for donations. Instead of building movements for universal education funding, different schools compete for foundation grants. Instead of organizing for comprehensive social services, different nonprofits compete for limited philanthropic resources (53–68).

The result is undermining coalition building, while distracting attention away from underlying structural conditions. Abstract charitable claims—"Help the Homeless," "Save the Children," "Fund Education"—create competing appeals

that fragment potential opposition to the economic arrangements creating homelessness, poverty, and educational inequality (78–95).

The Social Rights Alternative

A social rights framework offers an alternative approach that addresses both immediate needs and structural transformation. Instead of treating social goods as charity, dependent on individual generosity, social rights emerge from collective participation in democratic institutions that organize society around human flourishing, according to McDermott (154-170).

Applied to the current philanthropic dynamic, social rights would establish universal access to healthcare, education, housing, and social services as entitlements funded through progressive taxation and organized through democratic institutions (171–187).

Universal healthcare funded by progressive taxation eliminates both insurance company profits and dependence on hospital charity. Universal education funding removes both market competition and reliance on foundation grants. Comprehensive social services organized as community infrastructure eliminates competitive grant-seeking, while ensuring that social needs are met through democratic planning rather than donor preferences (188–204).

This framework—applied internationally—similarly recognizes how charitable approaches can often legitimate the very global economic arrangements creating the problems they ostensibly address. Fair trade certification, for example, can distract from broader challenges to corporate supply chains. Support for microfinance can redirect energy away from challenging global financial institutions. Likewise, support for charitable education programs can siphon energy away from challenging international debt arrangements that prevent public investment in education systems (256–272).

Strategic Implications for Democratic Organizing

Understanding philanthropy in this manner suggests strategic approaches that transcend the false choice between supporting charitable work and challenging structural arrangements. The goal isn't opposing charity but developing political strategies that address immediate needs, while building democratic institutions capable of organizing social goods as collective rights.

This requires what Crossan describes in a later publication, *How to Read the Bible and Still Be a Christian* (236), as addressing social challenges in context, rather them as isolated issues susceptible to charitable solutions. Housing insecurity, healthcare costs, educational inequality, and social service gaps result from the same structural arrangements that concentrate wealth, while creating artificial scarcity for social goods. Addressing these problems requires challenging fundamental arrangements rather than just their surface manifestations.

According to McDermott, effective organizing would combine immediate mutual aid with longer-term campaigns for universal public programs funded through progressive taxation. Mutual aid networks provide immediate social support, while building the kind of community infrastructure necessary for broader political transformation. Community land trusts provide immediate housing, while demonstrating alternatives to both private ownership and market dependence. Worker cooperatives address immediate employment needs, while prefiguring democratic control over productive resources (273–289).

Such approaches embody what McDermott describes as the "matrix consciousness" (290–306). That is, understanding how current structural arrangements shape possibilities, while building alternatives that address both immediate needs and systemic transformation.

This approach has also been called "non-reformist reforms," policy that both meets social needs today and builds power for further changes down the road. Such an approach avoids the philanthropic trap by creating democratic institutions that make massive private charity unnecessary because social goods are organized as collective rights emerging from community participation rather than individual generosity.

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needs while building democratic institutions.

Moving Beyond Philanthropy

The shift toward private philanthropy as a replacement for government social spending represents exactly the path that *must* be rejected.

Understanding this dynamic requires clearheaded recognition that, if not designed carefully, charitable responses can strengthen, inadvertently or otherwise, the systems they ostensibly address. The solution isn't to oppose charity, but rather to build democratic institutions that organize social goods as collective rights. This means supporting advocacy and organizing for universal healthcare, education, housing, and social services funded through progressive taxation rather than voluntary giving.

Such an approach would address both immediate humanitarian needs and the structural arrangements creating those needs in the first place. It would build the kind of broad democratic coalition necessary to challenge corporate power rather than fragmenting potential opposition through competitive philanthropic appeals. Most importantly, it would restore the vision of social goods as collective rights, emerging from democratic participation rather than private charity dependent on wealth concentration.

In an era when both democratic institutions and social welfare face unprecedented challenges from corporate power, understanding the philanthropic trap—and how to avoid it—offers crucial insights for building the kind of principled resistance that authentic social transformation requires.

About the author

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James A. Lomastro, PhD, is a seasoned senior administrator with over 35 years of experie…